DOCUMENT RESUME

ED 466 505 UD 035 054

AUTHOR Martinson, Karin; Strawn, Julie

TITLE Built To Last: Why Skills Matter for Long-Run Success in Welfare Reform.

INSTITUTION Center for Law and Social Policy, Washington, DC.; National Council of State Directors of Adult Education.

SPONS AGENCY Open Society Inst., New York, NY.; David and Lucile Packard Foundation, Los Altos, CA.; Mott (C.S.) Foundation, Flint, MI.; Ford Foundation, New York, NY.; George Gund Foundation, Cleveland, OH.; John D. and Catherine T. MacArthur Foundation, Chicago, IL.; Moriah Fund, Washington, DC.; Joyce Foundation, Chicago, IL.; Public Welfare Foundation, Washington, DC.

PUB DATE 2002-05-00

NOTE 24p.

AVAILABLE FROM Center for Law and Social Policy, 1616 P Street, N.W., Suite 150, Washington, DC 20036. Tel: 202-328-5140; Fax: 202-328-5195; e-mail: info@clasp.org; Web site: http://www.clasp.org.

PUB TYPE Reports - Descriptive (141)

EDRS PRICE MF01/PC01 Plus Postage.

DESCRIPTORS Federal Government; *Job Skills; *Low Income Groups; Postsecondary Education; Welfare Recipients; Welfare Reform; *Welfare Services

IDENTIFIERS *Temporary Assistance for Needy Families; *Welfare to Work Programs

ABSTRACT

Temporary Assistance for Needy Families (TANF) gives states the flexibility to design programs to help low-income families move into employment. However, the law discourages states from allowing welfare recipients to participate in education and training programs. Because the law limits the extent to which education activities count toward federal work participation requirements, individuals are restricted in how long they can participate in training and receive services. This paper shows that skills matter in the labor market, even for entry-level jobs, and that welfare recipients' low skills are an obstacle to finding lasting employment and earning enough to support a family. Studies show that helping low-income parents increase their skills pays off in the labor market, particularly through participation in vocational training and postsecondary education and training. The paper explains why it is critical to improve access to education and training among welfare recipients as part of TANF reauthorization. It notes that mixed welfare-to-work strategies are the most effective type and highlights the Portland, Oregon, program, which emphasizes participation in a range of activities that are tailored individually and stress job quality. Finally, it examines when education and training pay off. Recommendations for TANF reauthorization are discussed. (SM)

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Why Skills Matter for Long-Run Success in Welfare Reform

Karin Martinson
Julie Strawn

May 2002

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Acknowledgments

The authors would like to thank those whose financial support made this report possible: The Charles Stewart Mott Foundation, the Ford Foundation, the George Gund Foundation, the MacArthur Foundation, the Moriah Fund, the Joyce Foundation, the Public Welfare Foundation, the Open Society Institute, the Packard Foundation, and an anonymous donor. We would also like to thank David Butler and Gayle Hamilton of the Manpower Demonstration Research Corporation for their help in interpreting the NEWWS data. Garrett Murphy of the National Adult Education Professional Development Consortium and Mark Greenberg of the Center for Law and Social Policy reviewed drafts and provided helpful comments

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Executive Summary

The Temporary Assistance for Needy Families (TANF) block grant gives states unprecedented flexibility to design programs to help low-income parents move into employment. While states are given broad authority to craft their own approaches for meeting the goals of the legislation, the law discourages states from allowing welfare recipients to participate in education and training programs. Specifically, the law limits the extent to which education activities count toward federal work participation requirements, effectively restricting how long individuals can participate in training and capping how many individuals can receive these services.

These TANF restrictions on education and training are at odds with recent research findings on the experiences of welfare recipients in the labor market and on the effectiveness of different welfare-to-work strategies. In this paper, we show that skills matter generally in the labor market, even for entry-level jobs, and that the low skills of welfare recipients are an obstacle to finding lasting employment and earning enough to support a family. The welfare-to-work programs that have been most successful in helping parents work more and earn more over the long run are those that have focused on employment but made substantial use of education and training, together with job search and other employment services.

Further, studies find that helping low-income parents increase their skills pays off in the labor market, particularly through participation in vocational training and postsecondary education and training. Even those with lower skills can benefit from postsecondary education and training, if basic education programs are made intensive, close attention is paid to quality, and basic education is linked to further training and employment. While it can take a substantial amount of time to complete both basic education and job training, it is a worthwhile investment because the payoff is significant and much larger than basic education services alone provide.

Welfare Recipients, Basic Skills, and Employment

- **Welfare recipients typically lack the basic skills needed by employers.** There is a strong demand for cognitive skills by employers, even in entry-level jobs. In contrast, welfare recipients often lack many of the skills needed in the labor market, and many have low levels of formal education.

- **Current or former welfare recipients who are working are in low-wage jobs and experience little earnings growth.** Not surprisingly, given their low skills and educational levels, many welfare recipients fare poorly in the labor market. In general, those who have left welfare are working at low wages with limited benefits, and they experience little earnings growth over time. Earnings growth is restricted because there are limited opportunities for upward mobility for those with low skill levels.

- **Current or former welfare recipients who have not found jobs or who return to the rolls after leaving TANF have low education and skill levels.** Three at-risk groups — those individuals who remain on the welfare rolls and are not working, those who leave TANF without finding employment, and those who leave TANF but return to the rolls — all have low education and skill levels. This indicates that different strategies are needed if

welfare reform is to be successful in moving people with lower skills into lasting employment.

Which Welfare-to-Work Strategies Work Best?

Employment services for welfare recipients have been evaluated extensively, and these studies provide important lessons on how to most effectively provide these services.

- **"Mixed" strategies are the most effective.** The most successful welfare-to-work programs are those that do not rely primarily on one activity but provide different services to different recipients as needed, including job search but also education and training. One program that used this "mixed service" approach — in Portland, Oregon — far outperformed other welfare-to-work programs that have been evaluated by producing large increases in employment, earnings, job quality, and employment stability. Other mixed service programs have also been found to be highly effective.

- **The successful program in Portland emphasized participation in a range of activities, tailored services individually, and stressed job quality.** Portland substantially increased participation in education and training programs — particularly postsecondary education and training — and placed a strong emphasis on job quality while maintaining an employment focus. Portland also increased receipt of education and training credentials, including helping more recipients to earn both a GED and an occupational certificate. Those who were most work-ready received help in finding good jobs — ones that paid more than minimum wage, had benefits, and were full-time — while those with less education and work experience typically participated in life skills, education and training, or both. Recipients typically were in just one activity at a time.

- **The Portland program performed better than those with a "one-size-fits-all" approach.** The Portland program performed better than programs that were exclusively focused on work and those exclusively focused on education (which provided primarily basic education). Its impacts were both larger initially and persisted longer, even after five years of follow-up.

When Does Education and Training Pay Off?

There is a growing body of evidence pointing to the importance of both vocational training and postsecondary education and training in improving the employment outcomes for welfare recipients.

- **Vocational training and postsecondary education and training programs can produce substantial increases in earnings and job quality.** Welfare recipients — whether with a high school diploma or without — can experience significant financial gains from these programs. Those with lower skills realize these gains if basic education and training are closely linke'

- **Particularly for those with lower skills, it can take a substantial amount of time to complete both basic education and skills training, yet that combination pays off much more than basic education alone.** There is a need to increase the capacity of programs to provide high-quality basic education with strong links to training so that more of those with lower skills can gain access to it and obtain occupational credentials.

- **Whether upgrading skills pays off in the labor market depends on the quality of education and training programs and on maintaining a strong employment focus.** For education and training to be effective, it is critical to provide it within the context of a program whose central focus is employment, to offer intensive services, to closely monitor participation, to ensure there are strong linkages to training and job search, and to emphasize job quality.

Implications for TANF Reauthorization

Despite clear research support for welfare-to-work strategies that include upgrading skills, both participation in and spending on education and training programs has declined substantially under TANF. Less than one percent of federal TANF funds were spent on education and training in 2000[i] and only five percent of TANF recipients participated in these activities in the same year.[ii] This decline is attributable in large part to the signals the law sent to states discouraging use of education and training.

As Congress considers legislation this year to reauthorize the TANF block grant, the decisions it makes concerning access to education and training are likely to have a profound impact on the long-term success of welfare reform. The bills currently before Congress offer some clear-cut choices:

- **The House Republican leadership bill (H.R. 4700) imposes a narrow, "one-size-fits-all" approach on states, despite clear evidence that providing a range of employment and training services is the most effective welfare-to-work strategy.** Similarly, there is no proof that requiring all states to place virtually all unemployed recipients in unpaid work programs would be effective, and some evidence that it would not.[iii]

- **H.R. 4700 would sharply reduce access to education and training — cutting the time that full-time education and training can count toward work requirements to three or four months instead of the current 12 months.** Yet the newest research shows clearly that vocational training and postsecondary education and training play a key role in boosting recipients' earnings. While it can take more than a year on average to participate in both basic education and skills training, it is a worthwhile investment because the payoff is much larger than basic education or job search alone can provide.*

- **H.R. 4700's proposed 24 hours of direct work would make it harder for recipients to successfully combine work and skill upgrading.** U.S. Department of Education research finds that the more hours postsecondary students work, the larger the negative impact on

* Bos et al., 2001, Table 6.1 and 6.3. This likely understates the typical amount of time required as a substantial percentage (28.8 percent) of those who started in basic education and went on to postsecondary education or training in the study were still enrolled at the two-year follow-up point.

their grades and ability to stay in school. More than half of students who worked full-time reported it hurt their grades, as did a third of students who worked 16-20 hours and one-fifth of those who worked 1-15 hours. Given that most students in the study did not have children, the effects of too many work hours on educational outcomes for single parents could well be worse.[iv]

- **By contrast, several other proposals — such as those by the Tripartisan Group of Senators and Senator Rockefeller and bills by Representatives Cardin, Mink, and Roukema — would allow or encourage states to pursue a mixed-services strategy while maintaining or increasing TANF's strong work focus.** These proposals expand the extent to which full-time education and training can count toward work requirements. Such changes would give states room to allow more recipients to gain occupational credentials that help them qualify for better-paying jobs. Several of these proposals also would make it easier to combine work and school and would encourage public-private partnerships to help upgrade skills.

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Introduction

The Temporary Assistance to Needy Families (TANF) block grant gives states unprecedented flexibility to design programs to help low-income parents move into employment. While states are given broad authority to craft their own approaches for meeting the goals of the legislation, the law discourages states from allowing welfare recipients to participate in education and training programs. Specifically, the law limits the extent to which education activities count toward federal work participation requirements, effectively restricting how long individuals can participate in training and capping how many individuals can receive these services. The law's restrictions are problematic for several reasons:

- **Skills are strongly linked to success in the labor market**. Basic skills and educational credentials matter generally in the labor market, and the low skills of welfare recipients are an obstacle to finding and keeping employment and earning enough to support a family.

- **The most successful welfare-to-work programs include education and training as well as other services.** Research unequivocally shows that the most successful welfare-to-work programs focus on employment but make substantial use of education and training as well as job search and other employment services. Focusing on just work or education is not nearly as successful, especially over the long term.

- **Vocational training and postsecondary education lead to higher earnings in the long run.** Helping low-income parents increase their skills through vocational training and postsecondary education and training pays off in the labor market. Even those with lower skills can benefit from postsecondary education and training, if basic education programs are made intensive, close attention is paid to quality, and basic education is linked to further training and employment.

TANF reauthorization provides an opportunity to ease the restrictions on education and training from the 1996 welfare law. However, some reauthorization proposals go beyond the 1996 law to further reduce access to education and training. In this paper we discuss why it is critical to improve access to education and training among welfare recipients as part of TANF reauthorization. We describe the low skill levels and employment patterns of this population and review recent research on the effectiveness of education and training programs for welfare recipients, highlighting the circumstances under which these programs work best. We conclude with recommendations for the TANF reauthorization process.

I. Welfare Recipients, Basic Skills, and Employment

In general, basic skills are critical for labor market success, particularly if individuals are to find higher quality jobs and experience substantial earnings growth. While many welfare recipients have found jobs under TANF, their annual earnings are typically low and grow little over time, in large part because their low skill levels and lack of educational attainment consign them to low-wage jobs. Further, those with low education and skill levels are more likely than other recipients not to be employed and or to return to welfare after finding a job.

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- **There is a strong demand for cognitive skills by employers, even in entry-level jobs. In contrast, many welfare recipients lack both the skills and credentials needed in the labor market.**

It is clear that many jobs in today's labor market require a certain level of skills, credentials, or both. A survey of over 3,000 employers about entry-level jobs available to workers without a college degree found that most jobs require the performance of one or more cognitive tasks, such as reading and writing paragraphs, dealing with customers, doing arithmetic, and using computers.[v] Most employers in this study required credentials, such as high school diplomas and general work experience, and some also required previous vocational or other types of training. Another study found that those with the skill levels of a typical high school dropout will qualify for just 10 percent of all new jobs between 2000 and 2010, while those with the skill levels of a typical high school graduate will qualify for only 22 percent of these new jobs.[vi]

The skills that employers want stand in stark contrast to the actual skills and credentials of parents receiving welfare. Low basic skills are one of the most common barriers to employment faced by welfare recipients.[vii] One national study found that 60 percent of welfare recipients and 81 percent of persons heavily dependent on welfare (those not having worked in the past year) have low basic skills, compared to 30 percent of full-time workers.[viii] Another national survey conducted before TANF was enacted found that nearly two-thirds of welfare recipients scored in the bottom quartile of all women their age on the Armed Forces Qualifying Test. Half of those parents — one-third of all welfare recipients — had basic skills lower than 90 percent of other women their age.[ix]

The educational attainment of mothers on cash assistance also remains well below average. Government data indicate that 45 percent of the mothers who received TANF in 1999 had completed high school or received a GED.[x] In comparison, 87 percent of all American women 18 to 54 years of age had completed high school or received a GED.[xi] In addition, some of those welfare recipients with a high school diploma have low basic skills despite their credential — a national study found that welfare recipients have substantially lower skills than other adults with the same level of education.[xii]

- **Not surprisingly given their low skills and educational levels, welfare recipients generally fare poorly in the labor market. Many who have left welfare are working at low wages with limited benefits.**

While many welfare recipients left welfare for work under the 1996 welfare law, most of these individuals are not faring well in the labor market. One study with a nationally representative sample found that those who left TANF for work in 1999 had a median wage of $7.15 per hour.[xiii] Moreover, individuals who leave welfare for work are unlikely to receive employer-provided health care coverage or paid sick or vacation leave. In the same study, only about one-third of employers offered health insurance. About 52 percent of those who left welfare in 1999 had incomes below the poverty level. Many of these individuals are poor, both because their hourly wages are low and because they are not working full-time and year-round.[xiv] Studies from individual states have reached similar findings.[xv]

A closer examination of the jobs held by current and former welfare recipients makes it clear why their earnings are so low. One study analyzed the type of employment obtained by individuals who left welfare for work from 1995 to 1997. More than 40 percent of the jobs were in service occupations and 17 percent were in administrative or clerical positions, traditionally low-paying fields that require only limited skills. While wages are generally higher in managerial, professional, or operator fields, fewer than one-quarter of TANF recipients managed to find jobs in these better paying occupations.[xvi]

Credentials and basic skills are also linked to the ability of welfare recipients to find jobs. Several studies have shown that individuals with high school diplomas are more likely to leave TANF for work,[xvii] while those with the lowest skills have the least connection to the labor market. One pre-TANF study found that women with extremely low basic skills (lower than 90 percent of women their age) were more likely to be disconnected entirely from the workforce. Forty-four percent of women with extremely low basic skills had not worked for most of the two-year period studied, compared with just 15 percent of those with moderately low skills. In contrast, less than 10 percent of higher-skilled women were out of the labor market that long.[xviii]

- **Welfare recipients experience little earnings growth over time. Earnings growth is restricted because there are limited opportunities for upward mobility for those with low skills.**

Research conducted prior to TANF found that parents receiving welfare who enter employment experience high rates of job loss with little earnings growth. The extent to which their earnings grow is due principally to working more hours or weeks in a year rather than to a growth in wages.[xix] The recent studies of individuals who leave welfare provide little information concerning employment retention and advancement; the studies with some longitudinal data typically suggest some earnings growth over time, but median earnings for adults who have left assistance remain very low — about $10,000 annually.[xx] A national study that tracked women who left welfare for ten years found that some families experience earnings gains but that most of the gains occurred during the first five years and then reached a plateau.[xxi]

Many low-wage workers do move up the job ladder, but education and skills, rather than experience, is increasingly the most important determinant of wages.[xxii] Since the late 1970s, workers without a college degree have had fewer opportunities for wage increases than those with a degree.[xxiii] A study found that each year of additional schooling corresponds with a 7 percent increase in wages for welfare recipients.[xxiv] Higher basic skills are also linked to higher wages over time. One pre-TANF study found that those with test scores on basic skills in the top three-fourths of all scores earned about 8 percent more per hour in the fourth and fifth years than those with scores in the bottom fourth.[xxv] Few studies specifically address whether welfare recipients with low skills and limited education have difficulty advancing in the job market based on work experience alone. Preliminary evidence suggests, however, that while many low-wage workers advance in the labor market, the ones who remain in jobs with little or no earnings growth for long periods of time tend to be less educated and disproportionately female, features shared by the welfare population as a whole.[xxvi]

The limited occupational mobility of low-skilled women may partly reflect the types of jobs these women hold.[xxvii] Occupations offering workers without some college education the greatest wage

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potential, such as machinist, equipment repairer, and truck driver, tend to be held by men.[xxviii] While sales and administrative/clerical jobs can be better paying for those who work their way up to supervisory positions, only a small portion of these jobs are supervisory — so few can expect to attain such positions. In general, unless low-educated females work in nontraditional jobs or pursue postsecondary education and training, their upward mobility is limited.[xxix]

Research also suggests that welfare recipients have stronger earnings potential if they start at jobs with higher wages.[xxx] In one pre-TANF study, the average wages of those in the top fourth of the wage distribution grew significantly over five years, even after controlling for other education levels and credentials, work history, type of jobs, and personal factors. By contrast, the average wages of those in the bottom fourth did not increase at all.[xxxi] Other studies have found that recipients with higher wages initially were more likely to stay employed and work more over a five-year period.[xxxii] However, another study looking at lower skilled workers more generally did not find lower rates of wage growth at the bottom of the distribution.[xxxiii]

- **Three at-risk groups — those individuals who remain on the rolls and are not working, those who leave TANF without finding employment, and those who leave TANF but return to the rolls — all have low education and skill levels.**

Because caseloads have declined dramatically since the enactment of TANF, concerns have been raised that the group remaining on the rolls may be more disadvantaged and face more difficult challenges in moving to work. When several studies found few differences between those remaining on the rolls and those leaving welfare for work,[xxxiv] some concluded that more disadvantaged families, with low education and skill levels, are finding jobs at the same rate as those with higher skill levels.

A closer look at the data, however, shows that looking only at the characteristics of those receiving welfare or not masks the troubling experiences of those with low education and skill levels. There are two reasons for this. First, primarily because of increased earned income disregards, which allow individuals to combine welfare and work under TANF, some of the more educated and skilled individuals stay on the rolls when they are working.[xxxv] Several studies have found that those on welfare and working have similar characteristics to those of women off welfare and working.[xxxvi] Second, some families with more severe barriers are unable to meet work requirements and comply with other rules and mandates and are sanctioned off the rolls.[xxxvii] This means some disadvantaged families are leaving the rolls without finding employment.

What is more important to look at, then, is who is working or not, regardless of welfare status. Individuals who are struggling to enter and stay in the workforce are concentrated in three groups:

- **On TANF and not working.** Those families who remain on the rolls and are not working have predominantly low education and skill levels. Several studies have found that TANF recipients who are *not* working have significantly lower education levels than those who are working — even though both are on welfare.[xxxviii] For example, one study of welfare recipients in Michigan found that among those on welfare and *not* working, 46 percent did not have a high school diploma, compared to 32 percent of those on welfare and working. Some 33 percent had low skill levels, compared to 14 percent of those on welfare and working.[xxxix]

- **Off TANF and not working.** Due to sanctions and other reasons, not all families who leave TANF are working — and this group also has low education and skill levels. For example, one study in Illinois found that 66 percent of those who left welfare with a job had a high school diploma, while only 52 percent of those who left TANF without a job did so.[xl] Several other studies have found that individuals who leave welfare without finding employment face many of the same barriers as those who remain on TANF and are not working, including low education and skill levels.[xli]

- **Returning former recipients.** A third group is welfare recipients who find employment initially, but then experience job loss that causes them to return to welfare. Studies have consistently found that about one-fifth of those who leave TANF return to cash assistance.[xlii] The group returning to welfare appears to be a particularly disadvantaged group, with low education levels, while those with higher education levels are more likely to stay employed. For example, in one national study of those who left welfare and returned, 38 percent have less than a high school education compared to 27 percent of those who are working and off TANF.[xliii]

There are also early warning signs that individuals leaving welfare will find it increasingly difficult to experience success in the labor market. A study in Wisconsin, one of the first states to implement welfare reform, finds that a cohort who left welfare during 1997 had lower earnings than those who left in 1995, an outcome attributed to the lower education levels of this second group.[xliv] Another study comparing the employment experiences of welfare recipients in Milwaukee and Los Angeles finds more positive outcomes for those in Los Angeles, which was relatively late to implement welfare reform, than for those in Milwaukee.[xlv] This study attributes this outcome to welfare policies in Wisconsin, which have driven a hard-to-employ segment of the population into the labor market.

Overall, basic skills and credentials are critical for employment and particularly for advancing to higher paying jobs. There are also indications that individuals who are not working (both on and off TANF) and those who return to the welfare rolls will face difficulties finding lasting employment, in large part due to their low education and skill levels. Because welfare recipients have low skills, if they are to find jobs, move to better jobs, and move out of poverty, strategies to upgrade basic and job skills will be required.

II. Which Welfare-to-Work Strategies Work Best?

The above discussion highlights the importance of increasing skills and educational credentials if welfare recipients are to ultimately succeed in the labor market. Employment services for welfare recipients have been evaluated extensively, and these studies provide important lessons on how to most effectively provide these services.

- **The most successful welfare-to-work programs — in terms of increasing employment and earnings on a sustained basis — are those that provide a range of services, including job search but also education and training.**

Evaluations of numerous welfare-to-work programs have consistently shown that a "mixed strategy" — one that provides education and training as part of a program whose central focus is employment — have been the most effective in increasing employment and earnings, reducing welfare receipt, and sustaining that success over time.[xlvi] The latest and most comprehensive evaluation in this area is the National Evaluation of Welfare-to-Work Strategies (NEWWS), which studied 11 sites in the mid-to-late 1990s using a random assignment research design.[xlvii]

One of the sites in the NEWWS evaluation — Portland, Oregon — produced impacts that are among the largest ever seen in welfare-to-work programs. As discussed below, the program achieved this result by focusing on employment and providing a range of services that included education and training. The first activity varied for each individual depending on her circumstances, and recipients generally only participated in one activity at a time.

The program resulted in a 21 percent increase in employment, a 25 percent increase in earnings (over $5,000 over five years), and a 22 percent reduction in the time spent on welfare compared to control group members.[xlviii] These impacts far surpassed the other NEWWS sites as well as results from other evaluations for both high school graduates and nongraduates. The Portland program also resulted in the largest improvements in job quality — program enrollees experienced a 13 percent increase in hourly wages and a 19 percent increase in those who had jobs with employer-provided health insurance — and was one of only four sites in NEWWS that had impacts in this area.[xlix] Finally, it was also one of the few sites in the evaluation that increased employment stability, with a 14 percent increase in the proportion employed in all four quarters of the last year of the study.[l]

Other evaluations have shown that programs that provide a range of services — primarily education, training, and job search — produce the best results. Most notably, the Riverside GAIN program which operated in the late 1980s, had a strong employment focus but also allowed participation in education activities (60 percent participated in education or training) and produced impacts similar to Portland.[li] In addition, both the San Diego SWIM program and the Baltimore Options program, which also operated in the 1980s, produced substantial earnings impacts through job search as well as education and training.[lii] Except for the San Diego SWIM program, there has been either limited or no use of work experience or community service in any of these mixed service programs.

- **The Portland program substantially increased participation in education and training programs — particularly postsecondary education and training — and placed a strong emphasis on job quality while maintaining a clear employment focus.**

What made the Portland program so effective? There appear to be several features about the Portland program that resulted in its impressive outcomes.

Program activities included education, training, life skills, and job search. In Portland, those who were most work-ready received help in finding good jobs — ones that paid more than minimum wage, had benefits, and were full-time — while those with less education and work experience typically participated in life skills, education and training, or both.[liii] Overall, the Portland program resulted in a 23 percent increase in the use of education and training compared to the control group. Among skill-upgrading activities, for those with a high school diploma the program primarily increased participation in postsecondary education and training. Over half of

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this group attended a community, two-year, or four-year college at some point in the five years after entering the program — a 66 percent increase as compared to a control group. For those without a high school diploma, the program increased the use of both basic education and postsecondary education or training. GED preparation classes were offered to those who staff thought had a good chance of attaining a GED certificate relatively quickly, and, as discussed below, some of these individuals went on to additional education and training programs after receiving it. It should be noted that while education and training were common activities, job search was also used extensively — the program resulted in an 84 percent increase in participation in this activity. Overall, the program was very balanced in its use of job search and education and training — over five years of follow-up in Portland, 68 percent participated in education or training and a similar share (65 percent) participated in job search.[liv]

Tailored Services. The program did not use a "one-size-fits-all" approach but rather tailored services to individual needs and circumstances. While some enrollees attended job search activities (as in other typical employment-focused programs), others were initially assigned to education or training. Subsequent activities were also individually tailored, although those who completed the life skills program were most likely to participate in education and training and job search was common for those who completed education and training. Further, there was no standard hourly participation requirement; while staff worked intensively with recipients to help them participate as much as possible, expectations for hourly participation were tailored to each individual.[lv]

Emphasis on Job Quality. There was a strong emphasis on finding high-quality jobs. In a departure from other typical employment-focused programs, job search participants in Portland were counseled to wait for a good job, as opposed to taking the first job offered. Education and training was also encouraged as a means of enhancing employability — specifically as a means of obtaining jobs with higher wages and benefits. The focus on job quality was reflected in program performance standards that encouraged staff to promote higher paying jobs. The performance standards included a target for the average placement wage, which was always much higher than the state minimum wage (for example, in 1994, Oregon's minimum wage was $4.75 per hour and the placement wage target was $6.00 per hour).[lvi]

- **The Portland program performed better than programs that were primarily focused on work — impacts were larger and longer-lasting and persisted even five years later.**

Mixed service programs that include education and training have consistently outperformed employment-focused programs, which primarily provide job search assistance. The recent NEWWS evaluation included several sites that focused exclusively on employment and, unlike the Portland program, did not provide a mix of services. These employment-focused programs increased employment and earnings and reduced welfare payments, but by substantially less than the program in Portland. Earnings gains ranged from 8 to 17 percent ($1,500 to $2,500), and the reduction in months on welfare ranged from 8 to 14 percent.[lvii]

Another striking difference between Portland and the other employment-focused programs in the NEWWS evaluation is that this site continued to produce unusually large earnings impacts in the fourth and fifth year of follow-up, while impacts in most of the employment-focused sites in the NEWWS evaluation diminished after three or four years.[lviii] This is because employment-focused programs achieve their results by helping people work more, rather than by helping them prepare

for better jobs or helping them keep jobs longer. Consequently, the impact of these programs tends to be largest in the first year or two and then diminish over time, as many program group members lose the jobs they find initially and do not earn more while employed. At the same time, many of the welfare recipients assigned to the control group (which does not receive program services) eventually find on their own the same kinds of jobs as recipients enrolled in the program.[lix] In contrast, the initial investments in education and training made in Portland appeared to pay off over time, as individuals found higher paying jobs and stayed employed.

Past evaluations have shown a similar result, with mixed service programs producing longer-lasting impacts than those that provided only job search assistance.[lx] For example, the earnings impacts in the Baltimore Options program also grew over time and did not diminish as did many of the other programs evaluated. This result was attributed to the fact that the program helped individuals find higher paying jobs than they would have without its services.[lxi] In addition, Portland and other mixed service programs have performed far better than programs offering primarily work experience — these programs have resulted in minimal gains in employment and earnings.[lxii]

- **The Portland program performed better than programs that were primarily focused on basic education (not including vocational training or postsecondary education).**

Basic education — GED preparation programs, adult basic education programs for those below an eighth grade level, and English-as-a-Second Language (ESL) programs — has been the most common activity in welfare-to-work programs emphasizing skill development rather than quick employment, primarily because of the low skills of welfare recipients. Most of the basic education-focused programs that have been evaluated operated prior to the implementation of TANF, when there was less of an overall focus on employment in welfare-to-work programs. Basic education programs in these studies typically did not have strong links to employment or to job training.

A review of evaluations of these programs indicates that the earnings gains from these basic education-focused programs have been limited, with few performing better than mixed service or employment-focused interventions.[lxiii] For example, in the NEWWS evaluation, effects were smaller for the basic education-focused programs than for the employment-focused programs, with earnings gains in these programs ranging from about 4 to 13 percent ($800 to $2,000) and reductions in the time spent on welfare ranging from 4 to 14 percent. In addition, the basic education-focused programs did not improve job quality and were more expensive to operate.[lxiv]

Evaluations of basic education-focused welfare-to-work programs show that they did increase the number of welfare recipients who got an education credential (in most cases a GED, but some high school diplomas as well).[lxv] However, a majority of basic education participants did not earn a GED. In addition, few of the programs evaluated increased education test scores. Just two of 12 sites that measured education gains for program enrollees found impacts on test scores.[lxvi]

The Portland program, which produced substantially larger employment and earnings impacts than basic education-focused programs, also increased participation in basic education and receipt of GEDs for high school nongraduates. However, basic education services in Portland were provided intensively within a program that emphasized employment and job quality. Importantly, as discussed below, individuals in basic education often participated in other services before or after, particularly postsecondary education and training programs, life skills, and job search.

III. When Does Education and Training Pay Off?

There is a growing body of evidence pointing to the importance of both vocational training and postsecondary education and training in producing earnings gains and improving job quality for welfare recipients. Even those without high school diplomas can benefit if basic education is closely linked to further skill upgrading.

- **Vocational training and postsecondary education and training can produce substantial employment and earnings gains, even for those with lower skills, if basic education and training are closely linked.**

The mixed strategy program in Portland, which dramatically increased earnings and job quality, increased the proportion of nongraduates who obtained a high school diploma or GED *and* a second education or training credential (usually a trade license or certificate) — a result no other evaluated program has achieved. While the other education-focused sites in NEWWS did produce impacts on the receipt of GEDs or high school diplomas for nongraduates, none had an impact on receiving a trade license or certificate or on receiving a GED and another credential. None of the employment-focused programs had impacts on the receipt of any credential.[lxvii] In addition, the three NEWWS sites that most increased hourly pay for nongraduates after two years of follow-up — Portland as well as Columbus and Detroit — also boosted participation in postsecondary education or training for this group.[lxviii]

The NEWWS evaluation also showed significant economic returns to postsecondary education and training in a study of outcomes in three other sites for those without a high school diploma.[lxix] This nonexperimental research found that nongraduates in basic education had substantially larger increases in longer-term earnings and self-sufficiency if they also participated in skills training or college. Those who participated in basic education and then went on to participate in postsecondary education or training had an additional $1,542 (or 47 percent) in earnings in the third year of follow-up compared to those who participated only in basic education.[lxx]

Other studies have shown the benefits of job training when integrated with basic education. The Minority Single Parent Demonstration (MFSP), which operated in the 1980s, provided education, training, and support services to low-income single mothers. One program (the Center for Employment Training) required women to enter job training immediately, regardless of their educational attainment, and integrated remedial education directly into this training for a specific job. The other sites used a more traditional, sequential approach where women generally were placed initially in basic education and entered job skill training only after they attained certain academic skills. The study found that the integrated program produced a 22 percent increase in earnings, while the other sites had no or small effects.[lxxi]

While programs with a strong postsecondary education and training component have generated positive results, an ongoing issue has been that few individuals without high school diplomas gain access to these activities. For example, in the three NEWWS evaluation sites that produced the large earnings gains from postsecondary education and training (this substudy did not include Portland), only 15 percent of those who participated in basic education went on to this activity.[lxxii] Low levels of participation appear to stem from several factors including ineffective linkages

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between basic education and training, training programs that are not open to high school dropouts or people with very low literacy levels, including many welfare recipients, and work-first programs that discourage extended participation in education and training.

- **Welfare-to-work evaluations indicate that postsecondary education and training is also important for high school graduates.**

Welfare-to-work evaluations indicate that postsecondary education and training is also important for high school graduates. As discussed above, the Portland program produced the largest earnings impacts of all the NEWWS sites for this subgroup and substantially increased use of postsecondary education and training by high school graduates. Although the Portland program did not have any effect on the proportion getting college degrees, it did have a positive effect on the receipt of trade licenses or certificates for this subgroup.[lxxiii] The education-focused program with the largest earnings impacts for high school graduates in the NEWWS evaluation (Atlanta) produced a substantial increase in participation in vocational training and receipt of trade certificates for this group.[lxxiv] Finally, the Alameda County GAIN program, which operated in the 1980s and increased the level of training received by high school graduates, resulted in a 12 percent increase in earnings — some of which was due to an increase in finding jobs at higher wages.[lxxv]

- **Helping people increase their basic skills and/or obtain a GED also pays off in the labor market but more modestly than vocational training and postsecondary education and training.**

A nonexperimental analysis from the NEWWS evaluation showed that program participants also increased their earnings if they obtained a GED or increased their basic skill levels. Receipt of a GED increased annual earnings over a three-year period by $771. The analysis showed the increase in earnings was due to having the credential itself, rather than any increase in basic skills that occurred in the process. Increased reading skills resulted in a smaller earnings gain of $354 over the same period. While these gains are significant, they are considerably smaller than the $1,542 increase in earnings that resulted when individuals participated in postsecondary education and training after basic education.[lxxvi]

- **For those with lower skills, it can take a substantial amount of time to participate in both basic education and training, yet that combination pays off much more than basic education alone.**

The Portland program, which produced large impacts on receipt of educational and occupational credentials for those without a high school diploma, used relatively short stays in basic education and encouraged individuals to go on to training, typically in community college certificate programs. The total length of time needed to participate in both basic education and training at the college was about a year.[lxxvii]

Similarly, in the three NEWWS evaluation sites that showed the large financial gains for those who participated in basic education and then went on to postsecondary skills training, the average length of time spent in these programs was 12.7 months. This is likely an underestimate of how long it typically took as almost 30 percent were still enrolled in postsecondary programs at the end of the two-year follow-up period.[lxxviii]

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Other research from the NEWWS evaluation shows that gains in reading skills appeared to vary with the length of time spent in adult education programs. Stays shorter than a year did not improve reading skills measurably, whereas longer stays were associated with substantial gains comparable to those achieved through regular high school attendance. However, additional months of basic education increased math skills during the first six months only. Similarly, additional months of participation increased the likelihood of GED receipt during the first six months of participation but not thereafter.[lxxix] Other studies have consistently shown that individuals who did receive a GED did so in a relatively short amount of time and were more likely to have entered with relatively higher skills and education levels — meaning they were probably very close to receiving the credential when they entered the program.[lxxx]

- **The quality of basic education and training programs appears critical to their effectiveness, as does maintaining a strong connection to employment.**

Clearly, education and training are essential components of a successful welfare-to-work strategy that promotes not only initial employment but also long-term earnings gains and increases in job quality. Research indicates that while adding skill-building activities to the mix of services improves impacts, it is critical that programs pay close attention to program quality. For example, one of the few programs to produce basic skills gains for welfare recipients (the San Diego GAIN program) made a concerted effort to create high-quality services: it developed an entirely new system of learning centers just for GAIN students, which featured computerized instruction and specially trained staff; it provided off-campus locations; and it offered more hours of instruction per week than other regular basic education classes.[lxxxi]

Overall, drawing on the wide range of research that has been conducted, several features of education and training programs are important:

- **Employment focus.** Provide education and training within the context of a program whose central focus is employment.
- **Intensive services.** Ensure that programs are intensive (offering a substantial amount of instruction each week) and that individuals can complete them in a reasonable amount of time if they attend regularly.
- **Close monitoring of progress.** Monitor progress closely to ensure that individuals are attending regularly and that those who are not are reassessed and possibly assigned to a different activity.
- **Linkages to training and job search**. Encourage transitions from basic education to training. Follow-up training and education when appropriate with immediate job development and job search efforts.
- **Job quality.** Promote job quality as a central goal throughout education, training, and job search efforts.
- **Training options for those with low skills.** Increase the capacity of programs to provide high quality, intensive services with strong links to training so that more of those with lower skills can gain access to it and obtain occupational credentials.

Other features of high-quality education and training programs include developing a well-defined mission, providing specially targeted classes to students who are welfare recipients, having skilled, experienced teachers, emphasizing staff development, adopting varied instructional approaches, communicating regularly with welfare-to-work staff, and promoting a high degree of teacher-student and student-student interaction.[lxxxii]

IV. Implications for TANF Reauthorization and State and Local Policies

As we have described, the welfare-to-work programs that have been most successful in helping parents work more and earn more over the long run are those that included substantial access to education and training, together with employment services. This is because skills and educational credentials in general are strongly linked to success in the labor market and because welfare recipients on average have low skills that hinder their efforts to earn enough to support a family. Postsecondary education and training in particular appear important for helping welfare recipients qualify for higher-paying jobs.

Yet both participation in and spending on education and training programs have declined substantially under TANF. Less than one percent of federal TANF funds were spent on education and training in 2000,[lxxxiii] and only five percent of TANF recipients participated in these activities in the same year.[lxxxiv] This curtailment in the use of education and training, prompted in part by the federal law's disincentives to invest in these services, is not supported by the research, which unequivocally shows the benefits of a more balanced approach.

Federal TANF Reauthorization

As Congress considers legislation this year to reauthorize the TANF block grant, the decisions it makes concerning access to education and training are likely to have a profound impact on the long-term success of welfare reform. Because education and training services are important not only for those receiving welfare but also for other low-income parents, TANF reauthorization should include provisions that encourage states and localities to serve both groups and to provide a spectrum of services that people can access when they are working and when they are unemployed. Toward this end, reauthorization should:

- Ease some of the current restrictions on counting education and training participation toward federal work requirements, so that states are not discouraged from providing a range of employment and skill-upgrading activities to TANF recipients;
- Allow sufficient time for welfare recipients to move through both basic education and training to obtain occupational certificates;
- Provide incentives for states to provide support services and work-study positions to low-income parents who are students to better enable them to succeed in school;
- Make it easier to balance work, family, and school by keeping the overall number of hours required at a reasonable level, clarifying that student work-study is a countable activity

toward work rates, and examining how federal financial aid policies can better support both unemployed parents and low-wage workers in school;

- Provide demonstration grants and technical assistance that build program capacity, in partnership with employers, so that those with low skills and/or limited English can gain marketable occupational skills as well as improve basic and language skills; and,

- Encourage states to provide postemployment services focused on retention and advancement, by such means as including employment retention and advancement in the TANF goals and providing grants to spur the creation of public-private partnerships that help low-income workers upgrade their skills at the worksite.

The bills currently before Congress offer some clear-cut choices:

- **The House Republican leadership bill (H.R. 4700) imposes a narrow, "one-size-fits-all" approach on states, despite clear evidence that providing a range of employment and training services is the most effective welfare-to-work strategy.** Similarly, there is no proof that requiring all states to place virtually all unemployed recipients in unpaid work programs would be effective, and some evidence that it would not.[lxxxv]

- **H.R. 4700 would sharply reduce access to education and training — cutting the time that full-time education and training can count toward work requirements to three or four months instead of the current 12 months.** Yet the newest research shows clearly that vocational training and postsecondary education and training play a key role in boosting recipients' earnings. While it can take more than a year on average to participate in both basic education and skills training, it is a worthwhile investment because the payoff is much larger than basic education or job search alone can provide.

- **H.R. 4700's proposed 24 hours of direct work would make it harder for recipients to successfully combine work and skill upgrading.** U.S. Department of Education research finds that the more hours postsecondary students work, the larger the negative impact on their grades and ability to stay in school. More than half of students who worked full-time reported it hurt their grades, as did a third of students who worked 16-20 hours and one-fifth of those who worked 1-15 hours. Given that most students in the study did not have children, the effects of too many work hours on educational outcomes for single parents could well be worse.[lxxxvi]

- **By contrast, several other proposals — such as those by the Tripartisan Group of Senators and Senator Rockefeller and bills by Representatives Cardin, Mink, and Roukema — would allow or encourage states to pursue a mixed services strategy while maintaining or increasing TANF's strong work focus.** These proposals expand the extent to which full-time education and training can count toward work requirements. Such changes would give states room to allow more recipients to gain occupational credentials that help them qualify for better-paying jobs. Several of these proposals also would make it easier to combine work and school.

- **Bills by Representative Cardin and Senator Rockefeller would also support public-private partnerships to help people improve their skills before and after entering employment, especially those whose low skills might otherwise bar them from training.** Ensuring that states can provide a range of services based on recipients' needs is the first step toward long-run success in welfare reform. An important second step, though, is helping states and localities expand the capacity of programs to deliver quality services, particularly in concert with employers.

State and Local TANF Policies

Research also indicates that states and localities need to pay close attention to the quality of education and training and adapt these programs to better meet the needs of welfare recipients as well as low-income workers. This includes:

- Ensuring that individuals are not attending programs for long periods without making progress, encouraging transitions from basic education, ESL, and GED programs to training, following education and training immediately with strong job search and job development efforts, and focusing on job quality as a key goal throughout these education, training, and job search efforts.

- Expanding the capacity of programs to provide occupational training to those with low basic skills and/or limited English who may not gain access to existing programs.

- Developing strategies — including revising federal and state financial aid policies where necessary — to make it easier for individuals to combine work and school, through a combination of supportive services, financial aid, career counseling, and work-study employment.

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